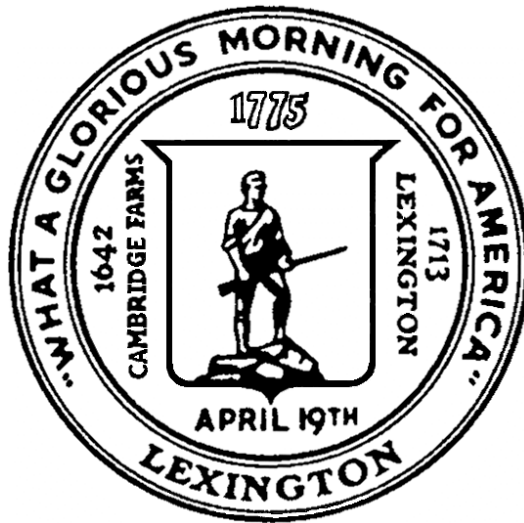


# CAPITAL EXPENDITURES COMMITTEE

## TOWN OF LEXINGTON



### **SUPPLEMENTAL REPORT ON ARTICLE 6 TO THE 2009 SPECIAL TOWN MEETING (STM) May 6, 2009**

*Released May 6, 2009*

**Submitted by:**

Charles Lamb, Chairman  
Ted Edson, Vice-Chairman  
William Hurley  
David G. Kanter  
Shirley Stolz

## **Warrant Article Analysis and Recommendation**

<b><i>Article 6: Land Purchase—Off Lowell Street (Multiple Categories)</i></b>	<b>Funds Requested</b>	<b>Funding Source</b>	<b>Committee Recommendation</b>
	<b>\$4,197,000 + about \$100,000 issuing &amp; interest expenses on a Bond Anticipation Note (BAN)</b>	<b>Community Preservation Fund (CPF) (Cash &amp; Debt)</b>	<b>Approval (3–0)</b>

“To see if the Town will vote to authorize the Selectmen to purchase or otherwise acquire, or to take by eminent domain for recreation, affordable housing, open space or other municipal purposes, any fee, easement, or other interest in all or any part of land shown as lots 38, 40A and 43 on Assessors’ Property Map 20, now or formerly of Busa...”

*[Town of Lexington Warrant to the 2009 STM, May 6, 2009]*

**“Project Description:**

“This project requests funding for the purchase of three parcels of land, Lots 38, 40A and 43 on Assessors’ Property Map 20, and its associated due diligence and site planning costs. The costs for this acquisition break down as follows:

- Acquisition - \$4,100,000
- Master Plan - \$25,000
- Survey- \$25,000
- Legal- \$35,000
- Site Assessment (MGL c. 21E) - \$12,000

“The total of \$4,197,000 covers all anticipated costs for this project. The acquisition price is below the appraised value of the property (\$4,400,000).

“Collectively these parcels total 7.93 acres and are located just west of the intersection of Lowell Street and Westminster Street on the Arlington town line. The frontage for the property is on Lowell Street, and the parcel lies just north of the Arlington Reservoir and east of the Munroe Brook. It is presently the site of the Busa Farm, and falls under Chapter 61A. It contains a variety of land uses, including active agricultural, greenhouses, and related farm buildings...”

*[Community Preservation Committee (CPC) Report to Special Town Meeting May 2009, Released May 6, 2009]*

As stipulated in the Article, this parcel is proposed for any one or more purposes allowable under the CPA (in this case, contemplated to be the acquisition of land for a recreation use, community housing, and/or open space).

**This action entails only the acquisition of the land—not its ultimate use**—and this Committee unanimously recommends approval of this rare opportunity for the Town to acquire the nearly 8 acres of land. *(Our formal vote is only by 3 of our members because, as we had less than a day to act following the approval by the CPC, only Charles Lamb, Shirley Stolz, and David G. Kanter could attend the only CEC meeting then posted before the session of this STM at which this Article is expected to be debated.)*

We also endorse the agreed-to master-planning process for determining the ultimate use(s) and we are pleased that funding for it has been included in the Motion under this Article so that process can begin as soon as possible. It deserves reiterating that although the funding for the master-planning process is

included, the Motion that will be before this STM in no way predetermines what use(s) will ultimately be presented to a subsequent Town Meeting for approval when funding to implement the proposed use(s) is requested—this STM is only deciding on whether to acquire the land. So while a decision on the acquisition is time sensitive, the analysis of use(s) in terms of the Town's needs while balancing the impacts on all concerned is not. That analysis deserves to be done carefully and thoroughly.

The reason the acquisition is time sensitive is that the Town has a current right of first refusal to purchase the land because the land has had a special agricultural tax status (MGL Chapter 61A). If the town does not purchase the land, then there is a high probability it will be acquired by a developer who, it appears, will have a by-right authority to place at least 14 homes on the land—with the potential to request a subdivision with many more than that. Even a 14-home development would, in our opinion, negatively impact the neighborhood far beyond any of the contemplated uses under the CPA.

As to the funding of this acquisition, the majority of this Committee is in support of approving the use of debt—although, as we'll explain, that does not mean this Committee will ultimately support the final funding be by debt. Recognizing we just opposed any use of debt for the Leary-land purchase (2009 Annual Town Meeting, Article 12), we know it is important to explain to Town Meeting what has changed.

At the time of the Leary-land purchase, we felt there was more than an adequate cash balance in the CPF to use only cash for that purchase. The current project, however, requires a nearly \$4.2 million appropriation when there is just under \$5 million currently certified as available in the CPF. That could leave as little as about \$800 thousand remaining if this project were fully funded by cash, and although that amount could be considered sufficient, we are ready to accept that it is a marginal amount in case any substantial project should arise that needs prompt action in the near future for which bonding is inappropriate.

By authorizing debt, the Town retains the maximum flexibility in funding this project. The Town's practice when issuing debt is to first issue temporary debt in the form of a bond anticipation note (BAN)—which is an interest-only obligation until maturity—to provide the funding with which to close the purchase. Traditionally, the Town issues all of its long-term debt (bonds) in February—thereby minimizing the issuing costs. Prior to having to convert the BAN to a bond (which, in the case of all of our municipal debt, is under the direction of the Board of Selectmen (BoS) and our bonds are not callable once issued), we have a commitment that a “Summit” meeting of the BoS, CPC, Appropriation Committee, and this Committee, will be convened to debate the most prudent choice for continued funding for this project. The options range from just retiring the BAN—effectively paying cash for the project; rolling over the BAN to defer the decision if doubt remains about the most prudent course of action; converting the BAN to long-term debt (a bond)—effectively then financing the whole project with long-term debt; or a combination of cash and long-term debt. (If the decision were to be just to retire the BAN, it is likely in the current environment there would be about a “wash” between the issuing and interest expenses for the BAN and the interest earned on the CPF cash that wasn't, to that point, spent on the project.)

In any case, the majority on this Committee believes that this project should be fully paid in a relatively short term—such as 6 years. That avoids creating a long-term obligation for the CPA surcharge. Nevertheless, we are mindful of a minority of our Committee which feels there should not be even a short-term obligation; there should never be debt funding of CPA projects. Respecting that opinion, this entire Committee has a natural bias to simply retire the BAN rather than continuing with debt, but will be open minded at the “Summit”.

This and the Leary-land purchase have highlighted the need for a CPC policy on when to use cash versus debt for funding CPA projects. We continue to urge the CPC to develop such a policy and would hope for one by the “Summit” meeting at which the final-funding decision will be made for this project.